

Message Text

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ORIGIN EA-13

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APPROVED BY EA:AWHUMMEL

EA/TB - JBDEXTER

EA/EP - AGEBER (DRAFT)

EB/ORF/FSE - WWHITMAN (DRAFT)

COMMERCE - TGAINES (DRAFT)

FEO - JBUCK (DRAFT)

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK

C O N F I D E N T I A L STATE 036410

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, TH

SUBJECT: RTG REQUEST FOR DIESEL AT CONCESSIONAL PRICES

REFS: (A) BANGKOK 2387 (B) BANGKOK 2551

1. WHILE THE USG UNDERSTANDS AND IS SYMPATHETIC TO THE THAIDESIRE TO OBTAIN NEEDED DIESEL FUEL AT LOWER THAN WORLD MARKET PRICES, WE SEE NO WAY OF MEETING THAI REQUEST FROM EITHER CIVILIAN OR MILITARY SOURCES. AT PRESENT THERE ARE EXPORT QUOTAS ON PETROLEUM PRODUCTS, INCLUDING DIESEL FUEL, ON THE BASIS OF HISTORIC EXPORT LEVELS BY COUNTRY AND COMPANY. ONLY FIVE PERCENT CONTINGENCY RESERVE (CURRENTLY SOME 25,000 BARRELS FOR FIRST QUARTER 1974) FOR DIESEL AND DISTILLATES IS HELD FOR HARDSHIP CASES. THE U.S. HAS NOT BEEN A MAJOR SUPPLIER OF
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PETROLEUM TO THAILAND AND THE LATTER IS NOT ON QUOTA LISTS.

2. THE U.S. HAS NOT BEEN A LARGE EXPORTER OF DIESEL AND REFINED DISTILLATES (FOR QUOTA PURPOSES BOTH ARE IN THE SAME CATEGORY). IN 1971 TOTAL EXPORTS IN THIS CATEGORY WERE 1.85 MILLION BARRELS AND ONLY 448,000 IN 1972. THE TOTAL OF DISTILLATE EXPORT QUOTA FOR FIRST QUARTER 1974 AMOUNTS TO 480,000 BARRELS WITH 190,000 BARRELS GOING TO MEXICO; 98,000 BARRELS TO CANADA; 59,000 BARRELS

TO THE NETHERLANDS AND MUCH SMALLER AMOUNTS FOR OTHER HISTORIC CUSTOMERS INCLUDING JAPAN. SINCE ONE MT ROUGHLY EQUALS SEVEN BARRELS FOR DIESEL, THE THAI REQUEST WOULD CONSUME NEARLY DOUBLE THE TOTAL WORLD QUOTA OF BOTH PRODUCTS FOR THE FIRST QUARTER OF 1974. EVEN 50,000 MT WOULD ALMOST UTILIZE THE QUOTA.

3. DIESEL, LIKE MANY OTHER COMMODITIES, IS IN CRITICAL SHORT SUPPLY IN THE U.S. THE U.S. HAS RECENTLY EXPERIENCED A NATION-WIDE STRIKE BY INDEPENDENT TRUCKERS OVER THE SCARCITY AND HIGH PRICE OF DIESEL IN THE U.S. ALTHOUGH THE STRIKERS WERE PROMISED INCREASED SUPPLIES, THE ADMINISTRATION RESISTED A DEMAND FOR A ROLLBACK IN HIGH DIESEL PRICES, WHICH ARE CLOSE TO INTERNATIONAL LEVELS. ANY SALE ABROAD OF THIS COMMODITY AT A "CONCESSIONAL PRICE" WOULD CAUSE SERIOUS DOMESTIC PROBLEMS WITH POTENTIAL ADVERSE CONSEQUENCES ON MANY OF OUR FOREIGN ECONOMIC POLICIES.

4. AS THE EMBASSY KNOWS THE DEFENSE APPROPRIATIONS AND FOREIGN ASSISTANCE ACTS OF 1974 CONTAIN LANGUAGE PROHIBITING SALES BY THE MILITARY OF PETROLEUM PRODUCTS PRODUCED IN THE U.S. TO SOUTHEAST ASIAN NATIONS, INCLUDING THAILAND. WE SEE NO WAY OF CIRCUMVENTING THIS PROHIBITION.

5. ALL INDICATIONS ARE THAT, WHILE SHORTAGES EXIST IN THAILAND, THEY HAVE NOT YET REACHED A CRITICAL OR EMERGENCY STAGE. THAILAND IS NOT SUBJECT TO THE ARAB BOYCOTT AND FROM EMBASSY REPORTING IT APPEARS PETROLEUM CAN BE OBTAINED IF THAILAND IS PREPARED TO PAY THE PRICE
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(BANGKOK'S 19630). WHILE WE UNDERSTAND THAT THAILAND'S DIESEL REQUIREMENTS ARE FAR ABOVE PRESENT REFINING CAPACITY, IT MIGHT BE POSSIBLE FOR THE RTG TO NEGOTIATE WITH ANOTHER COUNTRY OR THROUGH A MAJOR INTERNATIONAL OIL FIRM A SWAP ARRANGEMENT WHEREBY EITHER IMPORTED CRUDE OR OTHER LOCALLY REFINED PRODUCTS WOULD BE EXCHANGED FOR DIESEL FROM A SURPLUS PRODUCING REFINERY.

6. WE BELIEVE THE EMBASSY SHOULD IMPRESS UPON THAI OFFICIALS THAT THE PRESENT SCARCITY AND HIGH PRICE FOR PETROLEUM PRODUCTS IS BASED PRINCIPALLY ON DECISIONS BY THE PRODUCING COUNTRIES AND TIME WOULD BE WISELY SPENT IN BRINGING TO THEIR (I.E. PRODUCERS) ATTENTION THE ADVERSE EFFECTS THEIR MONOPOLY PRICING AND PRODUCTION POLICIES ARE HAVING ON THE ECONOMIES OF DEVELOPING NATIONS. RUSH

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